

City of Norfolk

Office of the City Manager

CC: Finance

July 20, 2004

To The Honorable Council
City of Norfolk, Virginia

Re: Statement of Legal Debt Margin

Lady and Gentlemen:

Transmitted herewith is the Statement of Legal Debt Margin as of June 30, 2004, which is forwarded for your review and information.

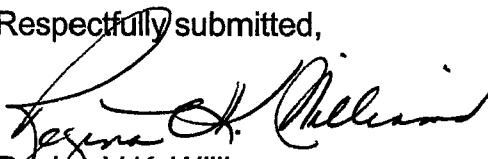
The Virginia Constitution, Article VII, Section 10, the Virginia Code Section 15.2-2634, and the Norfolk City Charter Section 86(7), stipulate that the City may not incur indebtedness, which exceeds ten percent (10%) of the assessed valuation of the real estate in the City subject to taxation. The attached computation of Legal Debt Margin measures the City's outstanding long-term general obligation or tax-backed debt as a percentage of the assessed real property value.

The Legal Debt Margin computation does not include outstanding principal from capital lease obligations for purchase of equipment or any revenue-based debt issued by the City. As a policy, the City issues revenue supported debt when possible to preserve and enhance the City's capacity to issue general obligation debt within the limitations of the Constitution of Virginia. Revenue supported debt is not subject to the Commonwealth's Constitutional debt limit.

The attached Statement of Bonds Authorized and Unissued identifies outstanding balances of bonds previously authorized to be issued by the City Council by fund or program. The outstanding balances are an accumulation to date of authorizations for which bonds have not been issued, or sold. The attached statement of Legal Debt Margin and Bonds Authorized and Unissued do not equate to any measurement of affordability. It is only a measurement of existing legal authorization to issue more debt.

Recommendation. Receive and file.

Respectfully submitted,


Regina V.K. Williams
City Manager

City of Norfolk, Virginia
Statement of Legal Debt Margin
June 30, 2004

| | | |
|---|-------------------|-------------------------|
| Total Assessed Value of Taxed Real Property | | <u>\$10,029,638,801</u> |
| Debt Limit - 10 percent of Total Assessed Value | | <u>\$1,002,963,880</u> |
| Amount of Debt Applicable to Debt Limit: | | |
| Gross Debt (Notes 1, and 4) | 447,105,000 | |
| General Obligation (QRBs) | 18,295,000 | |
| General Obligation (QZABs) | 7,841,678 | |
| General Obligation (guaranty) (Note 5) | 3,300,000 | |
| HUD Section 108 Loan (Note 6) | <u>13,000,000</u> | <u>489,541,678</u> |
| Legal Debt Margin (Notes 2 and 3) | | <u>\$513,422,202</u> |
| Amount of Debt as a percent of Debt Limit | | <u>48.81%</u> |

Notes:

1. Defeased bonds totaling \$69,275,000 are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.
The 1995 refunded bonds will be called for optional redemption before maturity in the amount of \$22,500,000 on June 1, 2005, at a price of 101%.
The 1996 refunded bonds will be called for optional redemption before maturity in the amount of \$27,000,000 on June 1, 2006, at a price of 101%.
The 1997 refunded bonds will be called for optional redemption before maturity in the amount of \$19,775,000 on June 1, 2007, at a price of 101%.
2. Outstanding capital lease obligations totaling \$13,023,105 for the purchase of equipment are not included for the purpose of the legal debt margin calculations.
3. The amount of general obligation bonds authorized by ordinance but not issued for Capital Improvement Projects is \$28,973,800.
4. Water and Parking revenue bonds are excluded from gross debt. The revenue bonds are secured solely from revenue of the Water Utility Fund and of the Parking Facilities Fund.
5. Includes a General Obligation guaranty of \$3,300,000 of bonds issued by Norfolk Redevelopment and Housing Authority in August 1998, which matures on August 15, 2015.
6. Includes a 20 year \$13,000,000 Section 108 Loan with HUD, which matures on August 1, 2023.

City of Norfolk, Virginia
Statement of Bonds Authorized and Unissued
as of 06/30/2004

| <u>FUND</u> | <u>Balance as of 05/31/04</u> | <u>New Authorizations June-04</u> | <u>New Issuance June-04</u> | <u>Balance as of 06/30/04</u> |
|--|---------------------------------------|---|-------------------------------------|---------------------------------------|
| <u>GENERAL OBLIGATION BONDS:</u> | | | | |
| Capital Fund Projects: | | | | |
| General Capital Improvement Projects | \$13,001,273 | \$0 | \$13,000,000 | \$1,273 |
| Maritime Center Capital Improvement Projects | \$2,500,000 | \$0 | \$0 | \$2,500,000 |
| Storm Water Capital Improvement Projects | \$3,668,840 | \$0 | \$0 | \$3,668,840 |
| <i>CAPITAL FUND PROJECTS TOTAL</i> | \$19,170,113 | \$0 | \$13,000,000 | \$6,170,113 |
| Wastewater Utility Fund Projects | \$22,803,687 | \$0 | \$0 | \$22,803,687 |
| G.O. BONDS AUTHORIZED AND UNISSUED | \$41,973,800 | \$0 | \$13,000,000 | \$28,973,800 |
| <u>REVENUE BONDS:</u> | | | | |
| Water Utility Fund Projects | \$69,068,596 | \$0 | \$0 | \$69,068,596 |
| Parking Facilities Fund Projects | \$15,223,429 | \$0 | \$0 | \$15,223,429 |
| REVENUE BONDS AUTHORIZED AND UNISSUED | \$84,292,025 | \$0 | \$0 | \$84,292,025 |

Note:
On April 1, 2003, \$17,000,000 Water Revenue Bond Anticipation Notes (BANs), Series 2003, were issued to mature on October 1, 2004, or to be refunded by Water Revenue Bonds after April 1, 2004, and before October 1, 2004. (BANs are not considered issued debt until refunded by long-term bond proceeds.)